

Marketing Segmentation

Mass Marketing vs. Market Segmentation

Mass Marketing:

Sellers design products that appeal to most buyers. Their goal is to appeal to as many types of consumers as possible.

ADVANTAGES

- Lower production costs
- Lower promotion costs

DISADVANTAGES

- Increased competition
- More knowledgeable consumers
- Improved marketing research methods
- Cannot communicate with specific individual, household, or organization, creating **wasted advertising**

Market Segmentation:

Segmenting the market allows advertisers to reach audiences with common characteristics due to a shared interest in content of media vehicle. Marketers divide total market for products into smaller, more specific groups. The goal is to tailor product, price, place, and promotion activities to a particular segment. Products are marketed more efficiently, thus increasing sales.

ADVANTAGE

- Able to tailor advertising to consumers' different needs and wants.

DISADVANTAGES

- Increased production costs
- Increased inventory costs
- Increased promotion costs

The Market Segmentation Process

Identifying groups of people or organizations with certain shared needs and characteristics within the broad market and *aggregating* (or combining) these groups into larger market segments according to their mutual interest in the product's utility. There are four basic types of segmentation:

- Behavioristic Segmentation
- Geographic Segmentation
- Demographic Segmentation
- Psychographic Segmentation

Behavioristic Segmentation -- Segmentation based on *purchase behavior*.

- User Status -- Include nonuser, ex-user, potential user, first-time user, regular/loyal user. Brand loyal users require the least amount of advertising.
- Usage Rates -- *Volume segmentation* measures consumers' usage and categorizes them as light, medium, or heavy users.
- Purchase Occasion -- Regular occasion or special occasion.
- Benefits sought/derived -- Include high quality, low price, status, sex appeal, good taste, etc. Prime objective of many consumer attitude studies and the basis for many successful ad campaigns. *Brand switching* occurs in response to consumers' different "need states."

Geographic Segmentation -- Segmentation based on *where consumers are located*.

- Regions
- States
- Cities
- Rural Areas

When marketers analyze geographic data, they study sales by region, country size, city size, specific locations, and types of stores. It is important in local markets due to limited trading areas for marketers, such as local retail stores or political candidates.

Demographic Segmentation -- Segmentation based on *statistical characteristics*, such as:

- Sex: male, female
- Age: children, teenagers, young adult, middle age, senior, elderly
- Ethnicity: American, African, Indian, European, Asian, etc.
- Education: 8th grade or less, high school, some college, college degree
- Occupation: white collar, blue collar, service worker, farm worker

- Income: low, middle, high
- Life stage: single, married, with children, without children, older

Geodemographic segmentation combines demographics with geographic segmentation to select target markets.

Psychographic Segmentation

Segmentation based on *values, attitudes, personality, and lifestyle*. People are classified according to what they feel, what they believe, the way they live, and the products, services, and media they use.

Many marketers use VALS (Values and Lifestyles) classification system created by Standard Research Institute. It breaks consumers into eight groups based on *primary motivation* and *resources*. Primary motivation includes principles (ideals), status (achievement), and action (self-expression). Resources include psychological, physical, demographic, and material capacities that consumers can draw upon.